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To City Council and Management  
City of Whittier, California

In planning and performing our audit of the financial statements of the City of Whittier ("City"), as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We noted no matters that we consider to be material weaknesses in internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We have identified the following matters that we believe meet the definition of control deficiencies:

2008-1      Need to Improve Monitoring of Loans Receivable

Through inquiry and observation, we became aware of a loan receivable that had not been reflected on the City's general ledger because it had triggering events (positive cash flows) in order for the City to be repaid. It was later determined that the probability of repayment is minimal and the City has established an allowance account to offset the receivable. However, monitoring of these loans should be performed and communication between the program department and the Controller's office to ensure that there are no other loans that should be tracked for repayment. There was only one instance that this occurred for the year ended June 30, 2008.

Mgt. Ltr.  
1/16/09

#### Recommendation

We recommend that a list of loans not only be maintained by the underlying department but the Controller's Department as well. There should be communication with Controller's office on a regular basis as to determine the status of the loans to ensure that the loans receivable balance has been properly reflected in the City's general ledger and collected by the City.

#### Management's Response for Corrective Action Planned

The City will perform an annual reconciliation between the City's general ledger and program department records to ensure loan records are in balance.

2008-2

#### Capital Asset Threshold and Useful Lives

We noted during our audit of capital assets, that the useful life of an improvement was not properly determined. We recommend that for any capital assets that being placed into service, the appropriate inquiries be obtained and documented to support the useful life of the asset being placed into service. We also noted that it may be more efficient and meet the City's needs if the capital asset threshold be increased from \$1,500 to \$10,000. Additionally, for any equipment that is susceptible to misappropriation, such as computers, the appropriate departments should maintain a list of such equipment for monitoring purposes.

#### Recommendation

We recommend that the City consider the cost benefit relationship of increasing the capital asset threshold to \$10,000. Prior to placing an asset into service, there should be inquiries to the appropriate individual(s) to determine the useful life of the asset.

#### Management's Response for Corrective Action Planned

The City will increase the capital asset threshold to \$10,000 and request assistance from department to determine the asset useful life.

2008-3

#### Best Practices

We evaluated the City's conformance to the best practices recommended by the Auditing Standards Board as a part of the new auditing standards that take effect for 2008 audits. The City already has in place a number of these recommended practices. During our observation with the Human Resources Department, we observed that fraud policy was not being distributed and communicated to new employees.

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Recommendation

We recommend that communication of the City's fraud policy and ethical conduct be communicated to new employees during orientation. This communication should be acknowledged and documented in the employee's file.

Management's Response for Corrective Action Planned

The City will incorporate the City's fraud policy and ethical conduct into its new employee's orientation procedure.

The City's written responses to the other matters identified in our audit are described above. We did not audit the City's responses, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McClann P.C.*

Irvine, California  
December 15, 2008